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The MANAGEMENT REVIEW

April, 1930

Henry L. Gantt—an Appreciation¹

By FRED J. MILLER

WHEN I first met H. L. Gantt, we were both guests of F. W. Taylor, at his home in Chestnut Hill, Philadelphia. Mr. Gantt was then carrying on his own consulting expert work; Mr. Taylor having retired, because, as he put it, he could "no longer afford to work for money."

Some time later, when I had, for about a year, been General Manager of a group of factories, all belonging to one company, employing about 5,000 people, and had arrived at the point where I knew "my way around" as the saying goes and had a more or less clear conception of what further things needed to be done to them, the question of the selection of an expert acquainted with Taylor's work came up.

The job of finding the answer was delegated by the Executive Committee of the Board of Directors to the President; he promptly passed it on to me; I knowing what was coming and having had the answer ready, as promptly chose Gantt. Ordinarily I should have consulted Mr. Taylor about this choice. My previous association with him in some work done for the American Society of Mechanical Engineers when he was its President and I a member of the Council "indicated," as the doctors would say, that I should consult him

¹ This paper was given at the Gantt memorial dinner held by The American Society of Mechanical Engineers and the Institute of Management in New York on November 19, 1929 at which time the first Gantt Memorial Medal was presented posthumously to Henry Laurence Gantt and received by his daughter, Margaret Gantt Taber. Mr. Miller will be the second recipient of the Medal which will be presented on April 8th at the Honor Session at the Fiftieth Anniversary of the founding of the American Society of Mechanical Engineers. The Gantt Medal Board is composed of: Dwight T. Farnham, S. P. Farwell, J. W. Roe, as representatives from the Institute of Management, and L. P. Alford, President of the Institute of Management; and W. L. Conrad, Dexter S. Kimball and Conrad N. Lauer who represent the American Society of Mechanical Engineers.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

and I wished that I might do so. But as a matter of fact I could not because I feared that we would not agree; and, the responsibility of the choice, rested upon me.

During the year previous Mr. Gantt and I had met several times at the Engineers' Club and had discussed something of our respective problems and plans for solving them. In that way I came to know something of his philosophy and he something of mine and we found ourselves in substantial agreement.

I did not assume to decide that he was the very best scientific management expert, but merely that he would probably fit into our organization as well as any other and, much better than some others. It was not until the work had been going on for some time that I realized that the relations existing between Taylor and Gantt were not quite as cordial as they might have been, and as I had supposed they still were. I was led to the conclusion that this was chiefly due to temperamental differences between the two men; and, in some degree perhaps to their very different early environment. Fred Taylor was raised in the Pennsylvania tradition and atmosphere of the fetish and God, protection to so-called infant industries. Consequently he had little or no realization of the clear economic fact that free exchange of goods among men is Nature's great labor-saving machine; the first and still the greatest, when given free play, (such as it has within the great free-trade territory in which we live); and, that restriction of trade and barter by employers, or by law at their behest, is as utterly indefensible as restriction of production by workers.

On the other hand Gantt clearly recognized these basic economic facts. Of course he did not consider it to be his task to educate his clients in the fundamentals of economic science and did not attempt it; but he was, nevertheless, guided by such fundamental principles and thereby avoided many errors; such for instance as bitterly assailing workers and especially the unions for restricting production and making public addresses that seemed to be based upon the assumption that there was little or no restriction by others.

Art of Industrial Management

Fred Taylor's earlier industrial experience had been such as to cause him to attach too little importance, perhaps to the *art* of industrial management as distinguished from the *science* of industrial management; the two being quite different and both essential to the best industrial results.

This art had been practiced for many generations here and there in many of the workshops of the world and had been at the same time ignored and scoffed in many other workshops. Where it flourished one found, not scientific management as we know it today, but did find satisfied, enthusiastic, interested and devoted workers, giving the best service they knew how to give, voluntarily, without driving but, with true leadership, nevertheless.

In the absence of this art there was constant grumbling and dissatisfaction on both sides; the workers complaining of unfair practices, brutal driving and disregard of what are generally recognized as fundamental human rights. On the other side there was large labor turnover; usually disregarded because believed to be inevitable; or, of little importance; both erroneous as we now know.

Unions were fought in every possible way; employers often doing collectively the very things they so bitterly condemned the unions for doing, or attempting to do. Gantt clearly perceived these things and understood their meaning; the more clearly after he had had some years of experience with our organization which he often declared to have given him the largest, most pleasant and most successful job he had ever undertaken; a distinction which it held at the close of his career. And he most generously ascribed a very large share of that success to the men of our organization, to the attitude of our employees and to the spirit of cordial good will, of mutual helpfulness and cooperation which pervaded the personnel.

Fundamental Economic Laws

Gantt, I consider to have been especially distinguished among the outstanding specialists by the fact that he linked his work with fundamental economic laws; which, whether we like it or dislike it, do, in the end, govern practically all of the doings of men in their commercial and industrial activities. In his book "Work Wages and Profits," Second edition, Gantt says:

"In considering the subject of management we must recognize the fact that in this country, so long as a man conforms to the laws of the State he has a right to govern his own conduct, and to act in such a manner as his interests seem to dictate. Granting this, it follows that any scheme of management to be permanently successful must be beneficial alike to employer and employee, and neither labor unions that regard their interests as essentially antagonistic to that of employers, nor employers' associations whose only effort is to oppose force with force, can ever effect a permanent solution of the problem of the relations between employers and employees."

Elsewhere in the same book he says:

"Labor unions demanding all they can get, and employers' associations organized simply to oppose the demands of the unions, can never evolve a satisfactory system of management; for, although each, in its way, may be (and undoubtedly is) often beneficial to its members, both are formed with the idea of using force only, which can never be a substitute for knowledge."

From these quotations we perceive that Gantt had convictions and did not hesitate to express them. Constantly he declined to work for any concern in which the workers were not, or were not to be, fairly treated and to participate in the benefits of the work as compensation for their cooperation. This was not only because he clearly perceived the justice of rewarding the workers for their cooperation, but also, because he knew that the willing co-

operation of the workers was a necessary factor in the successful working of his methods of industrial management.

I had the pleasure of seeing the manuscript of some of Mr. Gantt's books and have one of them inscribed by him with a notation that it is the "first-copy." They are all inspiring books; not tedious explanations of methods, but discussions of the underlying principles that should, but too often do not, govern men's conduct toward each other; particularly when engaged in any capacity in the industries.

In these days of the glorification of conveyor belts and the assumption that, when you have a lot of them and can move them fast enough you have scientific management, or something just as good, or better, it is refreshing and inspiring to re-read Gantt's books and I advise every young man, interested in industrial progress, to have them at hand, to mark passages in them freely, make a page index to these passages on the inside of the back cover and, frequently re-read them.

To follow this course is to avoid the error of assuming that true scientific management consists in blank forms, moving belts or conveyors, and, driving of men.

As to the physical or ponderable things introduced in connection with scientific management, the stop watch and the Gantt chart are most prominent and most discussed—the one a new and very important use for a previously well-known thing; the other an entirely new invention and a most important one; enabling every industrial executive to have always at hand, upon small and easily handled sheets or blue-prints, complete and up-to-date pictures of what is going on. Also of what is not going on. The stop watch and the Gantt chart, used discriminatingly, with judgment, work marvels in increasing the efficiency of an industrial organization; both reveal facts necessary to be known in order to attain the best results.

It is my firm belief that no assemblage of figures in statements or on blank forms can be even approximately as good as Gantt charts for general use by any industrial executive.

It is interesting to note, by the way, that Gantt was born in the South; in a family which had held slaves; and that he had, for his particular military hero, General Lee. I am very certain that if the industrial philosophy of this son of the South had been followed there, the recent ghastly things done in and around Gastonia, N. C., would have been avoided; many lives would have been saved and our country would have been spared a most shameful and useless outbreak of violence and murderous passion.

H. L. Gantt may fairly be said to have been an apostle of industrial peace; he not only preached it, but he showed how to obtain it, and maintain it.

THE MANAGEMENT INDEX

Abstracts and News Items

GENERAL MANAGEMENT

The Factor of Balance in Executive Control

Many business failures are due to faulty executive control, says the director and general manager of the Dennison Manufacturing Company, Ltd. By balance in executive control, he means a nice adjustment between the radical and the conservative elements in the managerial ranks, resulting in a progressive policy supported by increasing stability. Balance was achieved in this company largely through a merchandising committee, the functioning of which is described. Simplification in estimating production and selling was an inevitable result of the activities of this committee. By S. W. Levers. *Business*, January, 1930, p. 17:3.

What's Wrong With Textiles?

The textiles expert for the Hoover Committee on Waste Elimination analyzes the problems of the industry. Those concerns which have devised ways and means for meeting modern conditions are going steadily ahead. The ones which cling to false economic theories are unfortunately most frequently heard from, owing to disturbances of their labor. Most of the difficulty comes from backward management. Nearly every practice is fixed by tradition, and many of these practices—such as low wages—are out of tune with modern conditions. Very few mills know their costs and rarely operate to capacity, depending on speculation to make the price. Waste is present in the buying of the cotton. Only through mergers which will bring out

strong companies can profits as well as wages be increased in the textile trade. Advantages of such mergers are given. By William R. Bassett. *World's Work*, February, 1930, p. 42:5.

The New Business Trend

The causes and principles that have brought about the outstanding business successes of today have been the degree to which industries have either consciously or unconsciously coordinated their efforts in the interests of those classes upon whom they depend for their success. Mr. Ford and Mr. Woolworth were successful because they recognized that the greater part of the country's wealth lies in the lower strata of our earning power. It was not a conflict with other businesses that made these huge successes possible, but new business developed by a more delicate sensing of the consumers' needs. By W. T. Grant. *Executives Service Bulletin*, March, 1930, p. 1:3.

The Ethical Obligations of Directors and Executives

Business ethics present problems not essentially different from individual ethics. The importance of sound ethical codes in business becomes greater year by year. Today the ethical background is determined most largely by business and corporation morals. In any corporation that has an independent existence the primary and most general obligation of a director is to his own reputation. A director who in the course of years of other endeavor has

built up a reputation for business integrity, cannot afford to risk the loss of such a reputation by accepting a directorship that is conducted along lines that he would not countenance in his own personal dealings. The underlying principle in applying a code of morals in a corporation is that the public, the investing public in particular, is entitled to receive from a director that kind and degree of service that his reputation indicates they should receive. The directors and executives of a corporation have the definite obligation to maintain their business conduct in the front rank of tested and proven business experience.

The test of any ethical system lies not so much in its absolute standards as it does in its rate of progress—and it is not beyond the realms of possibility that business ethics, through organized thought and effort may in due time attain a rate of progress such as eventually to reverse the present condition, under which it is usually felt that individuals act on a higher plane in their personal than in their business affairs. By M. C. Rorty. 13 pages.

Banks Are Urged to Broaden Scope

There is a distinct need for educational work by banks to give the average business man a clearer understanding of their function, L. W. Munro, New England manager of Doremus & Co. of Boston, said recently at the second day's session of the Eastern Regional Savings Conference under the auspices of the Savings Bank Division of the American Bankers Association.

Investigation has shown a public feeling, he said, that banks should have in their employ practical business men to give counsel on matters of production, merchandising and sales, for the criticism has been made that the helpfulness of many bank officials stops with financial matters.

"As to bank mergers, the research showed beyond any question a definite place for the smaller, well organized bank," Mr. Munro said. "Here again the personal equation was an important factor,

with a substantial feeling in favor of those banks which were friendly and enjoyed the confidence of their customers. There were several expressions of aloofness and inexperience against the officials of the larger banks.

"From an advertising and sales standpoint there is a real need for advertising the commercial departments of the banks as evidenced by the specific interest in that direction by corporate officials and business owners." *N. Y. Times*, March 22, 1930.

Profits Through Production Control

"Income minus Profits equals Allowable Expense" is the basis of the general fiscal policy which Mr. Reynolds describes as being pursued by The American Writing Paper Company in rehabilitating its production methods. He explains a system of control whereby production, purchases of materials and the employment of capital are coordinated with sales requirements. By L. S. Reynolds. *Executives Service Bulletin*, February, 1930, p. 3:2.

Men—Not Things

The problem of the humanizing of industry is a growing one. The science of management deals primarily with methods, but the art of management must deal primarily with men. The science is relatively easy to learn; the art is difficult. A very significant result of recent improvements in the science of management appears to be an increasing ability to secure from large units, or "chains" an approach to that efficiency of individual workers that a few years ago could only be secured in the small organization working under the direct supervision of a competent employer-owner. The organization structure, the general methods of management and operation which will conduce to the soundest *esprit de corps* and the special monetary or other incentives that should be offered to stimulate the personnel to put forth unusual efforts, are major questions which arise in any large scale

enterprise, and are answered by the author, who concludes, "... the corporation that secures unity of purpose and action in a loyal federation of natural leaders, working under a trusted chief, will always win, in the long run, in competition with

an organization that ranks the science of management above the art—that values Things above Men. Paper presented by M. C. Rorty before the Annual Meeting of the Taylor Society, New York, December 6, 1929. 14 pages.

FINANCIAL MANAGEMENT

The Federal Reserve System in the Light of Changing Banking Conditions

Changes in banking conditions since the Federal Reserve Act became operative are mentioned. The larger banks and trust companies throughout the country appreciate the value of membership in the Federal Reserve System, but in order to assure the continued successful operation of the System it seems necessary to retain the interest and cooperation of the great body of small and medium-sized banks whose own independent existence may depend in some degree upon the continued operation of the Federal Reserve System with its mobilization of reserves and rediscount facilities. By W. P. G. Harding. *Harvard Business Review*, January, 1930, p. 147:4.

Departmental Application to Overhead

The items of overhead or indirect charges consist of three principal subdivisions: 1. Indirect Material; 2. Indirect Labor; and, 3. Indirect Expense. These overhead items do not affect all departments alike. Some of them apply to all and others apply only to particular departments. This article covers their application in all cases. Under Indirect Material, Mr. Berliner includes the following: 1. Material which cannot be applied as a direct charge; 2. Supplies; 3. Scrap or Waste Material; 4. Small perishable tools and dies. Indirect or Non-productive Labor includes the following: 1. (a) Lost time and idle time of productive workers, (b) Time of helpers, sweepers, truckers; 2. Supervisors and Foremen; 3. Superintendence; 4. Inspector (when not considered as

a direct labor charge); 5. Factory Clerks; 6. Employees on defective work; 7. Employees on experimental work. The items of Indirect Expenses which compose the factory overhead may be classified as follows: 1. Rent; 2. Insurance—fire and liability; 3. Taxes; 4. Interest; 5. Power; 6. Light; 7. Heat; 8. Freight and cartage inward, when not considered as a part of direct material charge; 9. Over, short, and Damage; 10. Miscellaneous Factory Expenses; 11. Depreciation; 12. Maintenance, Repairs, and Renewals. There is a practical discussion of each of these items. By J. J. Berliner. *Pit and Quarry*, January 15, 1930, p. 40:5.

A Study of Group and Chain Banking

A survey of the movement throughout the United States of independent unit banks into centrally directed systems, presenting methods and types of organization, the relationships between branch and chain banking, recent legislative developments, views of state banking officials and chain bank operators and detailed statistical material concerning chain banking in each state. Report of the Economic Policy Commission, American Bankers Association, New York, 1929, 60 pages.

Land Value Insurance: Its Organization and Operation

It was not possible until within the last decade for one to purchase a protective policy indemnifying a land owner against loss by depreciation in value over a period of years. The value of such protection to the land owner has been proved in many ways within this comparatively short

period. In two sections of the country, the West Coast and the Middle and Southeastern states, the principle of land value insurance has been sufficiently applied so that the land-buying public now has the opportunity of requesting the seller, before purchasing, to furnish him with a land value insurance policy with deed. Land which is sold "value insured" may be said to have the "stamp of safety" impressed upon it. With value and title insured, an investor can consider himself fully protected against loss.

Experience Tables, Departmentalization of Business, Methods of Operation, Service to Developer and Purchaser, How Claims Are Paid, and Effect on Market, are some of the topics discussed in this article. By H. H. Richardson. *The Annals of The American Academy of Political and Social Science*, March, 1930, Part I, p. 82:6.

The Interpretation of Financial Statements for Purposes of Managerial Control

The balance sheet and profit and loss statement in its usual form is of little real value to the executive in helping him to see the actual financial condition of his company. In fact such statements are often misleading and at times hide significant facts. Complete financial statements ought to be submitted to the several managers of a business in such form that each may see to what extent he is responsible for the results, good or bad, of past operations and where the weak points of his management are. The article shows how such statements may be prepared and what important items ought to be included. Illustrations of ideal financial statements accompany the text. By George Rea. *N. A. C. A. Bulletin*, March 1, 1930, Section I, p. 815:22.

Effects of Stock Split-Ups

A widespread impression prevails among investors generally that the declaration of a stock dividend or the split-up of a com-

pany's shares results in increasing the investor's equity in the particular enterprise. During the great bull market preceding the decline of quotations last year, the mere rumor of a split-up or a large stock dividend was often the direct cause of a rise of from five to fifty points in the price of the shares of the company affected. This popular impression that a stock dividend adds something to the net wealth of the stockholder is entirely erroneous and should be corrected. Mr. Bach shows in a simple but definite way how stock dividends and split-ups affect a company's capitalization and thus the holder of the company's shares. By Ralph E. Bach. *The Financial World*, March 19, 1930, p. 12:2.

Our Profit Insurance

The General Auditor of the Gillette Safety Razor Company describes the schedule of expected profits that is placed before chief executives at the beginning of the year. This profit-budget is revised month by month. Cost reports are prepared so as to interpret important trends to the executives. Attached to the staff of the vice president in charge of production is an executive who serves as a "Trouble Scout." He studies the manufacturing cost reports to discover situations requiring immediate attention. Cost control of this character is really profit insurance because of actual savings made, because of extravagance prevented—each executive knowing that it will be immediately reported, and because any influences or trends beyond the control of the individual are immediately apparent. By Henry W. Maynard. *System*, February, 1930, p. 124:4.

The Principal Causes of the Stock Market Crisis of Nineteen-Twenty-Nine

The primary cause of the panic of 1929 was undoubtedly the high level of prices which so many leading American share issues had attained. There were in addition a number of contributing causes, among these the following:

The violent fluctuations of the securities that were paying periodic stock dividends instead of cash dividends proved that the public misunderstood the true effect of this recent development of American finance, and contributed to the panic. Another contributing cause was the practice of gauging the value of securities by multiplying their most recently reported net earnings per share by some factor which was deemed to be applicable to the industry in which the company was engaged. This method of valuation leads to inflation in periods of great industrial activity. The lack of equilibrium due to an extraordinary willingness to buy and an equally extraordinary unwillingness to sell made serious trouble. The holding of securities on margin became too great during last Summer. Even the very large margins required by

the Stock Exchange proved inadequate to protect the holder of securities on credit under the conditions of panic and public hysteria. Outright liquidation, which ordinarily checks rising stock prices, was artificially delayed by great public optimism and other factors. Lastly, the colossal output of new stock issues thrust on the market during September and October converted an inevitable but orderly decline during September into the panic of October and November.

A number of other factors are enumerated, which, while not basic causes of the panic, nevertheless aggravated the crisis. Address delivered by E. H. H. Simmons before the Transportation Club of the Pennsylvania Railroad at Philadelphia, January 25, 1930, 29 pages.

OFFICE MANAGEMENT

Space: *Location, Equipment, Arrangement*

When You Plan to Move Your Offices Into New Quarters

In all building planning, especially in the case of special purpose office buildings, the proper point of departure is a study of the organization and its requirements. The correct way to approach an office planning project, whether it involves the construction of a new building, the renovation of an existing one, or merely the layout of rented floors, is to analyze the working requirements of the organization, determine the inter-relationship of depart-

ments, the probable rate of future growth, the balance between vertical and horizontal expansion, the needs of intercommunication, the extent of facilities for reception of the public, for storage of stock and supplies, for shipping and receiving, etc. If all these factors are considered preliminary to acquiring the space, the detailed planning stage will be greatly simplified, the cost decreased and the final result will be found to meet present and prospective needs. From an address by H. A. Hopf. *Net Results*, March, 1930, p. 3:2.

Organization: *Job Analysis, Employment, Pay, Tests*

Married Women Workers

A questionnaire sent out by the National Office Management Association to ascertain employers' attitude towards the employment of married women resulted in an 80 per cent return (139 companies) which disclosed the following:

Approximately 50 per cent employ mar-

ried women without restrictions, while the remaining 50 per cent either do not employ them or do so only in exceptional cases. About 60 per cent retain female workers who marry while in employer's service. About half of the remaining 40 per cent do not retain them, and about half retain them only for a short time after marriage.

Approximately 75 per cent stated that they considered married women as capable as unmarried ones. About 45 per cent found fault with married women workers for such reasons as irregularity in attendance, neglect of work, tardiness.

To the question whether experienced female workers should be discarded on their marriage, 75 per cent said "No"; 20 per cent said "Yes," and five per cent preferred to decide each case on its merits. About 77 per cent made no effort to discourage association of male and female clerks; of the remaining 23 per cent, some discouraged it or showed their disapproval of such association during working hours.

Regarding output, 78 per cent replied that there was no difference in the output of married and unmarried women's work. *System*, March, 1930, p. 238:1.

Do Men Want Responsibility?

Yes, each to his own capacity. Industrial efficiency in the end depends on the utilization of this urge to function and man's desire to be recognized as an important and useful part of the working group. The importance of the adoption of a scientifically planned procedure of promotions need be stressed no further. In the long run, such a program, fitted carefully to each plant, will prove less costly and less time-consuming than the trial-and-error method in common use. From an efficiency standpoint, a plan of progressive development of workers is vital. From society's point of view it will bring a great social gain. Through such programs in our leading industries, men are and will be helped to strengthen their weaknesses, to function, to

achieve full development, to become leaders in community life, and good citizens. By Ralph M. Hammill, M.D. and Agnes A. Sharpe. *Factory and Industrial Management*, February, 1930, p. 304:3.

L'Organisation Méthodique Des Bureaux De Dessins Industriels

The author of this paper exposes the plan of rational organization of an industrial drawing-office; the staff, the functions of the office, salaries, supply of materials.

Attached to the paper is an article describing how the work of the office is distributed and kept in hand until its completion.

In another accompanying article a scheme of bonuses for quick work is developed. By M. Rene Heurtault. *Fourth International Management Congress Proceedings, Mémoire LXXXVII, Section Industrie*, p. 1:8.

Wall Street Seeking Trained Workers

Contrary to general belief there are plenty of jobs going begging in Wall Street, but they call for trained and responsible men, capable of earning from \$3,000 to \$20,000 a year. The chances for untrained men and women in Wall Street are getting fewer every day. The larger houses have been making rapid strides in personnel and vocational work of late, and the personnel departments of the various banks have tightened up their rules governing applicants for positions. By Frank J. Williams. *New York Evening Post*, March 17, 1930.

Records: Forms, Charts, Cards, Files, Statistics

Five Ways to Reduce the Cost of Routine Letters

Considerable waste results from unorganized dictation. The dictator should know what he is going to say and dictate at a time free from distraction, thus saving his own time and the time of the stenog-

rapher. Trained stenographers should take and transcribe letters, leaving filing, messenger work, copying and other less skilled work to lower priced clerks. This will also reduce the amount of money invested in idle equipment. The centralization of stenographic work, filing and mailing will

prove economical. Simplification of forms and letterheads will almost invariably yield substantial savings. Standardization of typewriters and supplies is also desirable. If these principles are followed the cost of routine correspondence may be reduced 25 to 50 per cent. By Lawrence C. Lockley. *System*, March, 1930, p. 223:2.

The Thirteen-Month Calendar

Because of the defects in the present 12-month calendar many business concerns in the United States are now using the 13-period work calendar for their internal records. Various examples of the defects of the 12-month calendar are given, also a list of prominent companies which have adopted the 13-month plan. The question arises whether the universal adoption of this calendar would not be of distinct advantage to the business world. The experience of concerns using the 13-period calendar shows that the advantages gained by having equal months outweigh such disadvantages as there may be in not

having quarters and half years containing a whole number of months. Other objections are answered, such as what happens to anniversary dates. By M. B. Folsom. *Harvard Business Review*, January, 1930, p. 218:9.

Future Possibilities of the Simplified Invoice

The single standard form of invoice, called the simplified invoice, can be adapted to practically every business. Among the possible future benefits to be derived from the use of such an invoice are the following: the saving of time and space in filing; reduction of cost of training new employees; lessens the possibility of misunderstanding and legal entanglements; conforms to the five requirements of a modern commercial form, namely, adaptability to purpose, ease of use, economy in printing, economy in equipment, and uniformity. By George A. Cooper. *The Canadian Purchaser*, February, 1930, p. 17:3.

Administration: Regulations, Supplies, Communications

We Split the Overhead

The Comptroller of the American Optical Company gives their experience with the problem of centralization of routine, often arising at the time of consolidations. He gives a practical method for the division of home, zone and branch office functions. Expense can ordinarily be saved by centralizing operations—time, however, can usually be saved by decentralizing. Centralization makes it easy to save on the cost of supervision and facilitates getting the work done with the minimum labor. By Ira Mosher. *System*, February, 1930, p. 127:3.

The White Collar

The assistant supervisor of production at the Sharon plant of the Westinghouse Electric and Manufacturing Company meditates on indirect labor costs. Twenty or 30 years ago direct labor costs seemed

intangible. Today management can know exactly what it costs to make an article. Why should not the same controls be applied to clerical expense which is such a large part of the indirect costs to industry? By John T. Burke. *Factory and Industrial Management*, February, 1930, p. 290:2.

Punching the Clock

Are time clocks nationally used? Who should punch the clock? What purpose does the time clock serve? were among the items in the National Office Management Association's recent questionnaire sent to employers.

Companies replying numbered 146 and their answers indicated that 75 used time clocks and 71 did not. About half of the 75 require department heads to register as well as the rank and file. Forty-three of the 75 used the time clock merely as a

check on punctuality and attendance, while 29 used it also as a means of calculating pay. Of the 75 companies using time clocks only three contemplated discontinuance of

the method. All the 71 companies not using time clocks advised they had no intention of adopting that system. *System*, March, 1930, p. 238:1.

PRODUCTION MANAGEMENT

General: *Promotion, Organization, Policy, Development*

Production and Employment Stabilization by Packard Motor Car Co.

Mr. Macauley, the president of the Packard Motor Car Co., believes that much of the present unemployment is due to the plan of the average manufacturer who seems to rush production when the period of heavy selling comes, and to shut down the plant when the demand slackens. He believes that there should be careful, scientific, advance analysis of the probable demand and the operation of plants on a virtually uniform level throughout the year. In line with this view, when the Packard Motor Car Co. decides upon the number of cars to be manufactured, this number is divided by 12 to obtain the monthly production figure. The demands for the big selling months are thus met from the surplus produced in the periods when demand is less active. True, this plan will cost the manufacturer some money in interest on capital invested, but this will be far more than offset by lower production costs, by the contentment of his employees, and by lessening the turnover in labor. *Monthly Labor Review*, March, 1930, p. 49:1.

New England Sees Itself; Diversifies, Must Rebuild

The New England Council has gone modern. In a recent survey made by them in which they carefully scrutinized standards of mechanization and management, plant and equipment, materials handling, they found 11 favorable factors: 1. Diversification. 2. Excellence of workmanship of skilled labor. 3. Progressive mental flexibility in industrial manage-

ment. 4. Rapidly expanding use of specialized equipment. 5. Progress in industrial research. 6. Advanced personnel work. 7. General prosperity of industrial workers. 8. Net gain in number of industries and employees. 9. Improvement in new buildings in most industries. 10. Improved railway transportation. 11. Growth of electric power. On the other side of the picture there is the burden of old buildings, no longer adaptable to the efficient arrangement of modern machinery. *The Business Week*, December 4, 1929, p. 9:1.

Some Impressions of Industrial New England

The joint conclusions of 20 McGraw-Hill editors are included in this brochure which is presented under the auspices of the New England Council who planned the itinerary covering 71 factories in 49 cities in the 6 states. Eleven favorable factors are noted: diversification, quality of product, mental flexibility among younger executives, use of specialized equipment, research, personnel work, prosperity of workers, gain in industries, modern construction, railway transportation, electric power. Nine unfavorable factors are also listed: many old buildings, obsolete equipment, bad lighting, bad house-keeping, lack of safety work, handwork, lack of mechanical handling, excessive inventory, traditions. Absentee ownership, trusteeship and family dominance are fast giving way to the spirit of modernization that has already produced in New England some of the most advanced industrial operations of our times. One recommendation made by this group of editors was: That a census of industrial moderniza-

tion be made throughout New England. To accomplish this a competent engineering staff could be retained to inspect a cross section of say 1,000 manufacturing plants, and arbitrarily rate them for modernization of buildings, lighting, safety, materials handling, flow of work, progres-

sive assembly, research, human relations, and other characteristics. All reports to be confidential. Copies to be sent to the plants concerned. Mass figures to be analyzed and presented to all industries. Names of honor plants to be published. By Earl Whitehorse. 20 pages.

Industrial Economics: *Labor and Capital, Legislation, Wage Theory, Immigration*

Patented Prosperity

Take your choice: Either old friend prosperity is dead and buried or it is back with us. Words of encouragement come from Washington, and dismal predictions from other sources. The facts lie hidden somewhere between. Our greatest need is for a reasoned optimism, based on impartial facts and uncolored by senseless political prejudice. It would be a wise gesture for the Republican administration to renounce all right and title in patented prosperity, and to permit the Department of Commerce to assume its proper neutral function of business clearing-house. Where conditions are serious, the facts should be stated bluntly. This would have the effect of giving weight and authority to statements showing an improvement in other quarters. *The Commonwealth*, February 19, 1930, p. 437:1.

Signs and Portents of a Great Revolution

A new industrial and economic revolution is quietly taking place in the world today. Already two of the most important aspects of this re-orientation of industry have been recognized. The first of these is the vital truth that labor, to be efficient, must receive a good wage. One of the most startling features of this new development in economic policy is the attempt now being made by Henry Ford in Germany, where wages are lower than they are in Great Britain and lower than they are in the United States, to pay his workmen a rate of wages equivalent to that which he pays in America and Britain. Henry

Ford has been inspired to make this attempt, not by a philanthropic motive, but by the conviction that his policy is sound from an economic and financial standpoint.

The other great development is the system of instalment selling, of distribution credit, which has spread from America to Britain and the Continent, and is now firmly consolidated in an assured position in the economic system of the world. The system is progressing still further, and there is now established in America a chain of banks whose activities are confined solely to the lending of money on no material security at all, but merely on security of a moral nature. We are, therefore, at the beginning of a great financial and economic development which sooner or later will do its share in abolishing poverty forever and will do as much as anything could possibly do towards bringing about that relative equality of wealth and proportionate participation in the advantages of civilization which the whole world so ardently desires. By E. R. A. Seligman. *Barron's*, March 17, 1930, p. 5:1.

What Big Business Thinks of Russia

What American business thinks of Russia is an entirely different matter than what the United States government thinks about the U. S. S. R. Responsible American business men, including bankers, manufacturers, exporters, importers, are all interested in securing new markets for American products, and so are doing business with Russia on these terms: Russia is commercially recognized by all the trading nations of the earth. She has money

and credit. Russia has more than bank credit; she has industrial credit. Russia is finding excellent bargains and incidentally is rendering us an economic service by buying heavily of our used factory equipment. Practically all of the most outspoken former enemies of the Soviets are now trading with her on a satisfactory basis. It is fortunate that the things which Russia most urgently needs are products which we urgently need to sell to stave off overproduction or to prevent unemployment. *The Business Week*, February 12, 1930, p. 39:2.

State Old Age Pension Legislation

During the past year four new state old age pension laws were enacted, which brings the total number of states having such legislation to ten. Besides this, definite interest in the subject has been manifested by every section of the country with the exception of the southern states. This article briefly outlines the history of legis-

lation on this matter and forecasts that while legislative activity on the subject is not expected to be so intensive during 1930 as it was in 1929, it will probably receive sufficient attention to renew discussion of the soundness of this method of dealing with the problem. *The Service Letter*, N. I. C. B., February 15, 1930, p. 1:2.

Toledo: A City the Auto Ran Over

The acute unemployment situation in Toledo is described—it being the result of an unregulated industry and an ill-advised employment policy in the largest local plant, which advertised over the radio and in newspapers for workers and then cut the force from 28,000 to 5,000. There is hope that with new management in the Willys-Overland factory these local conditions may improve. The new management is definitely committed to a policy of regularization through gearing production to demand. By Beulah Amidon. *Survey Graphic*, March, 1930, p. 656:7.

Employment: Classification, Selection, Tests, Turnover

Industrial Relations Through a General Superintendent's Eyes

The General Superintendent of the Hamermill Paper Company mentions the advantages of a standardized employment procedure, including physical examination and provision for training, transfer and promotion. Perhaps the greatest advantage of modern industrial relations has been their effect on morale. The eminent fairness with which decisions relating to personnel questions are decided gives the concern a standing with its employees and in the community which is a very real asset. By H. F. Obermanns. *The Service Letter*, N. I. C. B., March 15, 1930.

Readjustments of the Machine Age

Technological unemployment is the fault of industries which have not made the necessary continual development year by year, according to Cyrus Ching, the Director of Industrial and Public Relations of the United States Rubber Company at

The National Management Congress held recently in Chicago. The gradual working of a skilled man into other work when the installation of machinery in his place is contemplated, obviates the necessity of letting him go or of shifting him abruptly into unfamiliar fields. Inability to readjust to change has been the Waterloo of many an industrial worker. He suggests a remedy: "We must develop in our industries a type of man who is flexible enough to do a new operation when it becomes necessary." *The Iron Age*, March 13, 1930, p. 794:1.

The Night Watchman . . . A Problem for Executives

Untrained and rattlebrained night watchmen have been responsible for financial losses aggregating huge sums. The work of a night watchman, by its very nature and its remoteness from the immediate personal scrutiny of the plant executives,

deserves more than the indifferent attitude which is usually accorded it. The loyalty of a night watchman should be definitely ascertained, first of all. It might be worth while for an executive to pay his plant an unannounced visit in order to check up on his night watchman's movements.

They are sometimes asked to do sweeping and cleaning, but this is a mistake except with very small plants. A man cannot safeguard a plant if his attention is distracted by a porter's job. By Eugene Bertram Willard. *Management*, March, 1930, p. 86:2.

Employee Service: *Hygiene, Recreation, Lunch Rooms, Stores, Safety*

Many Auto Accidents Laid to "Repeaters"

The importance of paying attention to the small number of careless automobile drivers, rather than to the majority of safe operators, as a means of reducing accidents is emphasized in a recent report of the Personnel Research Federation made public by the Engineering Foundation, which with the National Research Council sponsored the organization of the federation.

The report declares that many automobile accidents are caused by chronic repeaters. In the public utility field it was found that in one company 27 per cent of the drivers had figured in several collisions. Of these operators 20 per cent were responsible for 45 per cent of the accidents and an additional 7 per cent of the men were repeaters in any one year. Seventy-three per cent of the drivers operated in a careful and safe manner.

"A dismissal of the entire 20 per cent," the report goes on, "would have been impossible, as it would have created a disturbance in the organization comparable to that which would follow an attempt to refuse licenses to any large proportion of the public. A study was therefore made of the individuals comprising a sample of the 27 per cent to discover the cause of their unsafe operation. This revealed that all the men ought to be capable of careful driving. In each case a method of treatment was suggested.

"In previous safety campaigns attention was invariably paid to the careful drivers, and the importance of the minority minimized. The changed point of view brought

out clearly that the causes of accident tendency among the 27 per cent were such as to be unaffected by general safety methods.

"The new viewpoint proved to be correct. In twenty months' work the accidents have been reduced 35 per cent and the net financial gain to the company was \$301,000 for the year ended December 31, 1920." *N. Y. Times*, February 27, 1930.

Five Years Added to Life Expectancy of Industrial Workers Since 1913

A study of causes of death by occupation among a large industrial group and showing the health conditions among wage earners as compared with conditions revealed by a similar study from 1911 to 1913 has been made by the Bureau of Labor Statistics, Department of Labor. Various conditions have had a profound influence upon the health of the industrial population. Chief among these are improvements in machinery, changes in processes, new findings regarding sanitation of factories, reduction in hours of labor, increases in wages, and the extensive welfare activities that are characteristic of modern industry. The betterment of living conditions and improved standards of living have definitely influenced the longevity and vitality of wage earners and have been immediately reflected in lower death rates. *U. S. Daily*, March 12, 1930, p. 2.

The Value of Physical Examinations

How entrance physical examinations and periodic re-examinations have been of value both to the Management and the employees of the A. E. Staley Manufac-

turing Company is told in a concrete way by Mr. Davis, Industrial Engineer of the Company. Epidemics and accidents have been reduced. The attendance, health, intelligence, and esprit de corps of the employees have been improved. Marked reductions in the costs of group insurance have been effected. By Wm. Lynn Davis. *The Society of Industrial Engineers Bulletin*, February, 1930, p. 7:8.

New Cafeteria

The Yawman and Erbe Mfg. Co. have established a new cafeteria for the use of their employees with the most modern and superior equipment to be had. Leading off the main dining room there is a small private room which may be used for departmental luncheons. The cafeteria is not operated for profit, and is seldom self-supporting. Provision has been made for those who prefer to bring their lunch from home to eat it without charge in the cafeteria. Between the cafeteria and the conference room there is a large lobby

with tables, chairs and other accessories where men may gather after luncheon. It is furnished with a radio, a small library and a rack full of magazines, to help the employees to pass the luncheon hour pleasantly and profitably. *The "Y. and E." News*, February, 1930.

A Plan for Getting the Facts About Your Accidents

Experience has shown that numerous industrial accidents can be prevented by the practical application of a few simple principles. A series of charts by which the entire history of every accident may be recorded is described and fully illustrated in this article. It includes: 1. Foreman's Accident Report; 2. Notice of First Treatment; 3. Doctor's Release to Work; 4. Monthly Record of Accidents; 5. Statement of Accidents by Causes; 6. Statement of Accidents by Departments; 7. Accident Tally Sheet. *Canadian Foundryman*, February, 1930, p. 19:5.

Training and Education: Schools, Libraries, Apprenticeship, Employee Publications, Bulletin Boards

Give Foremen Cost Data

The Office Manager, Factory Accounting, of Automatic Electric, Inc., says that giving the foreman cost data is one way of getting closer inventory control, minimum waste and low unit cost. A form used for a monthly report of departmental expenses is shown. By W. B. Nelson. *Factory and Industrial Management*, February, 1930, p. 307:1.

The Training of Junior Executives

There are two processes necessary in training the junior executive. First, his scholastic training should be inventoried and brought up to standard by carefully planned reading courses, night school, or correspondence courses. Secondly, within the company his judgment and initiative should be developed by giving him the opportunity to work out the solutions to his own problems. He should be given the

chance to do things without being told; when it is necessary to give him orders, he should be reminded that it would have been more creditable if he had made the first move. He should be rewarded and encouraged when he does well. If he makes mistakes, these should be pointed out to him with suggestions for improvement another time, but he should not be reprimanded for them. The feeling of partnership and mutual interest should be cultivated, without which any organization must succumb to pernicious anemia. By Gordon Wilson. *The Society of Industrial Engineers Bulletin*, February, 1930, p. 3:4.

The Foreman Becomes a Manager

The greatly increased importance of the foreman brought about by bigger business has placed him under the microscope of leading industrialists and the question of his training under the more particular

attention of management. Heretofore foreman training has been academic, "without sufficient regard for the University of the Mill." The American Rolling Mill Company has assumed the attitude that foremen are managers. Their training program places emphasis on the application, in shop practice, of the points stressed during the conference discussions. Waste prevention is a major topic; as a vehicle for training it has produced very gratifying results. A typical program for a series of conferences accompanies the article. *The Iron Age*. March 13, 1930, p. 777:4½.

College Education and the Job

Colleges state that their seniors are so sought after by representatives of various corporations that their work is seriously hampered. And even then it is exceedingly difficult to find the right kind of human material. Executives want strength, and they are getting weakness; they want quality and they are getting a standardized mass product. The upshot of this is that industry itself has been forced to retain young men for its own purposes. Many

of the larger corporations have installed special educational departments with budgets running into millions of dollars.

The second problem with which employers have to deal in hiring the average college graduate is that these men as a rule lack the work habit. Therefore, industry is again forced to work out its own salvation, and insists more and more on men taking over-all jobs and receiving a baptism of real work.

A graduate of a technical school has a decided advantage over a liberal-arts graduate, when entering the industrial world, in that the contacts are close and there is a constant interchange of ideas and problems.

The members of a college faculty should be required to give regular time in their formal classes to the development in the student of the right knowledge concerning the spiritual, social and ethical aspects of life, because these fundamentals will be needed in modern business. By Elizabeth Fraser. *The Saturday Evening Post*, March 1, 1930, p. 40:4.

Benefit Systems and Incentives: *Group Insurance, Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership*

Industrial Relations in the Metal Trades

The Committee on Industrial Relations of the National Metal Trades Association presents a statistical summary of a survey made on labor management problems. More than one thousand plants were visited in this connection, and nine hundred and two shops furnished sufficient information to be included in this analysis. Some of the subjects covered are bonus plans, profit sharing, group insurance, employee benefit plans, pension plans and thrift. 16 pages.

New Plan on Stock of Phone Employees

The American Telephone and Telegraph Company will begin on April 1 a new stock subscription plan for employees of the Bell System permitting the application of dividends on stock already owned to the

acquisition of additional shares at \$150 a share.

When payment for stock is to be made by assignment of dividends the total subscription which an employee is entitled to make shall be on the basis of one share for each four shares of stock registered in his name on the company's books which were acquired by such employee under any of the employee stock subscription plans. Holdings of less than four shares or in excess of a multiple of four will not entitle the holder to a subscription for one share.

The new plan continues the method whereby employees of the Bell System may subscribe to stock by deductions from pay, which permits employees to subscribe to one share for each \$300 of annual pay or

fraction thereof at the rate of \$3 per share per month, or to one share for each \$400 of pay or fraction thereof at the rate of \$4 per share per month, the total cost being \$150 per share in both cases.

In effect, the utilization of dividends to pay for shares will permit the employees to acquire more stock than they would be entitled to under the regular stock subscription plan. For each four shares, the annual dividends of \$36 will permit an additional share to be acquired in slightly more than four years. The employee will assign his dividends to the American Telephone and Telegraph Company, which will credit the quarterly dividends on four

shares to the acquisition of one additional share. When the stock is fully paid, any amounts remaining from dividends or interest credited to the employee's subscription account will be paid to him.

The stock subscribed to under this plan does not participate in any right to subscribe for new stock or other securities issued by the American company and offered to all stockholders until payments are made in full and the subscriber is entitled to the stock certificate. The employee whose dividends are credited to the acquisition of additional shares will, therefore, receive his rights and may exercise them. *N. Y. Times*, March 22, 1930.

Shop Organization: *Planning, Methods, Job Analysis, Standardization, Waste*

Forging Practice Modernized by Mechanical Handling

The ancient art of forgery reduced to an exact science is described in this article in which the Vice-President of the Surface Combustion Company tells of the installation and practicability in working of equipment for foreign rotary tool joints including cranes, conveyors, porter bars and improved heating and normalizing furnaces. By C. B. Phillips. *Iron Trade Review*, March 6, 1930, p. 85:2.

Plan Layout for What's Around the Corner

The Manager of the Lambert Pharmacal Company of St. Louis describes a layout which not only satisfies present requirements but can also be readily adapted to future demands. Several cuts show conveying equipment. By Joel Y. Lund. *Factory and Industrial Management*, February, 1930, p. 283:4.

Using Common Sense in Machine Replacements

The Comptroller of the Western Clock Company describes their practice in deciding upon machine replacements. By taking advantage of the savings that new equipment offers, their plant has worked

its costs steadily downward. Experience indicates that a liberal replacement policy is highly advantageous. By L. J. Stewart. *Factory and Industrial Management*, February, 1930, p. 324:2.

Nailing Down Waste Control

A scheme in use at Automatic Electric, Inc. is described and forms shown. In final inspection a defective material transfer is made out in triplicate plus a tabulating card. These copies go to the foreman of the department involved, the shop clerk and the superintendent of inspection. The tabulating card copies are priced, extended and listed in a monthly report to the inspection department. Total defective material losses sustained in each department are entered on the foremen's expense statements. By W. B. Nelson. *Factory and Industrial Management*, March, 1930, p. 535:2.

Kelvinator Cut Costs by Changing Handling System

Changing over its main plant from a special department plan to a coordinated progressive production and assembly system has been a major factor in reducing labor costs 35 to 50 per cent in all de-

partments of the Kelvinator Corporation (electric refrigeration). This installation is described in detail and illustrated by several views of operations. This plan has reduced time and cost of handling parts and materials, has speeded up production materially, has facilitated the application

of a group wage plan, and has enabled the corporation to gauge requirements so closely that it now operates on a ten-day's supply of parts and materials, even during the peak season. By D. G. Baird. *Materials Handling and Distribution*, February, 1930, p. 25:3.

Labor Relations: *Collective Bargaining, Employee Representation, Arbitration*

Keeping the Works Council Abreast of the Times

The General Works Committee decided to issue a questionnaire to the employees of a prominent industrial establishment to determine the effectiveness of the existing employee representation plan. Neither signing, nor replying to the questions was compulsory, but there were 1833 replies out of a possible 2000. The majority believed that the Works Committee had been of value to the employees as a whole. A number of employees made definite suggestions for improving the plan, which resulted in its revision. The revised schedule of meetings is intended to reduce the expense by curtailing the time spent at meetings and to secure closer contact between divisional management and members of the Works Committee. *The Service Letter*. N. I. C. B., March 15, 1930.

Batá: The Shoemaker Who Stitched Mass Production Onto the Uppers of Feudalism

The story of the development by its founder of the immense shoe industry in Czechoslovakia. While his housing and many regulations governing employees are somewhat paternalistic, the mass production accomplished chiefly through conveyors is extremely modern. A group bonus supplements standard wage rates. A company store supplies employees with all staples and is housed in the same building with a moving picture theatre and a cafeteria. Batá markets direct to the consumer and will eventually have his own stores in America. He owns raw material sources such as railroads, mines, brickyards, tanneries, water-supply and forests. *Survey Graphic*. March, 1930, p. 623:6.

MARKETING MANAGEMENT

Profits Versus Price Cutting

Under our present economic system the only industry which really serves the community is the one which is able to make and sell goods that produce a net profit at the end of the year. Cut-throat, ignorant price wars are not to the ultimate advantage of the consumer. Price stability is not necessarily an indication of the elimination of competition. The great necessity at this time of severe depression is some means of protecting an industry without curbing free competition. The best solution is probably that offered by the Fed-

eral Trade Commission through trade practice conferences. This development provides for the self-government of industry with the assistance of the Commission, which can supplement any good that may be accomplished by the industry itself. By Rudolph Zinsser. *Printers' Ink*, May 13, 1930, p. 17:4.

Your Salesmen Can Help Keep the Inventory Clean

Salesmen naturally clamor for something new, but nevertheless it is a part of the work of the sales department to help keep

stock on hand down. When business is good it is accompanied, of course, by enthusiasm and optimism. New articles are put into production, the sales of which are pushed. Then what is apt to be overlooked is that many other items, in which much money is tied up, have been permitted to lie practically dormant and to become almost obsolete. In a year or so the profit made on the new articles will be practically wiped out by the loss which must be taken on the neglected lines.

The solution to this difficulty is to maintain a constant sales pressure to keep these quantities and items down to a minimum. The first move is the setting of an inventory budget and living within it. The interest and co-operation of the sales force will be aroused by the definite understanding that new goods must be financed out of funds taken out of the inventory. Another wise move would be the formation of an inventory committee, to be made up of the treasurer of the company, the factory manager, the production manager and the sales manager. By A. H. Deute. *Printers' Ink*, March 13, 1930, p. 68:3.

Marketing Analysis

In marketing a new article the public must first have time to judge the articles. Therefore, how to obtain that judgment becomes the manufacturer's first problem. It can best be obtained by making a three-sided test of salesmen, newspaper, and direct mail in a small, sectional buying centre. This test will answer such questions as: What is my selling cost? Will my products sell rapidly? Does the market consider my product a luxury or a necessity? Can I entirely do without personal salesmen? Is persistence necessary in mail selling to bring results?

As production has speeded up, manufacturers have become sceptical as to the ability of the retailer to sell their products for them. The retailer must therefore do one of three things: He must reduce the cost of doing business, or he must demonstrate to the manufacturers that the present

cost of distribution is reasonable. He must recognize that his distribution cost cannot be reduced under the existing system. By Brinton Carrigan. *Connecticut Industry*, February, 1930, p. 9:3.

What Is a Sound Expansion Policy?

Many manufacturers make the mistake of not planning their expansion. They open up new territories or launch additional products without testing the possibilities of these ventures. Too many companies expand for no other reason than that their competitors are expanding. Because business is in an exceptionally fluid state, enterprising concerns are seeking to draft sound expansion programs which will protect them against emergencies. The expansion technique most successfully employed at present reveals these methods being used: 1. Through contact selling. 2. Through foreign subsidiaries. 3. Through both market and product research. 4. By developing by-products. 5. By diversifying the line. 6. By letting the line evolve naturally. 7. By adding unrelated lines. 8. By Controlling both wholesale and retail distribution. 9. By getting retailers to expand, to diversify, to add new lines, new departments, etc. By John Allen Murphy. *Sales Management*, February 8, 1930, p. 238:3.

Freshen Up Your Product

The most important thing in the business situation at the present time is a better knowledge of markets, since they are the keystone of the industrial structure of the country. Nothing is so stimulating to any market as advertising news, and nothing stimulates a sales force so much as a new talking point. The policy of restyling a product for that purpose need not be confined only to the objects in common use but can have the broadest of applications. Even concrete mixers have fallen under the spell of style. There are many tired products which need only to have their faces lifted or to be made more colorful, to cause sales to increase. The

New York Art Centre has been asked to suggest designers and stylists for all sorts of products. The bureau of placement states that more than 500 manufacturers, retailers and advertising agents have asked its aid in securing trained stylists to suggest new ideas for old products. By Roy Dickinson. *Printers' Ink*, February 6, 1930, p. 3:6.

Sales Waste Remedy in Output Methods

Adaptation to distribution of those principles of scientific management which have become accepted as the basis of modern

factory production holds great potential benefits for industry, according to Henry P. Kendall. Planned distribution is as yet in its infancy. It is difficult for the manufacturer to relate various conflicting elements and give each its due. Research is talked of frequently as though it were an end in itself, instead of being a means to an end. The scientific conception of distribution, like that of production, urges first the analysis of component parts, the functions of which must be studied carefully. *The New York Times*, March 16, 1930, p. 20N.

Sales Promotion: Letters, House Organs, Advertising

Can Selling by Telephone Successfully Reduce Industrial Sales Costs?

Except in a few cases the telephone cannot be used in the industrial field to canvass for new business. Buyers resent the idea that they can be sold in that way. But an organized telephone procedure for making appointments for salesmen is well worth the effort and has sometimes turned unprofitable salesmen into producers. A telephone call may make a personal trip unnecessary, as a quick order is taken by phone. Then again the phone call may forestall the order being given to a competitive salesman. The flattery of a long-distance call is not to be overlooked, either.

The salesman must be adept at judging by a subtle ear sense the type of man with whom he is talking. His first sentence should be carefully planned, and he must know in advance whether the prospect has the authority to close with him. It is a help to know something of his peculiarities, as well. By David H. Colcord. *Class & Industrial Marketing*, March, 1930, p. 32:3.

Against "Pep" Meetings

The days of the annual "get-together" for salesmen at which representatives from all over the country gather at the factory to inspect new lines and hear "pep talks" are numbered, in the opinion of a manu-

facturer of household specialties, who discarded the plan this year.

"The results haven't justified the expense involved," he explained. "Salesmen complain that they lose valuable time from their territories by attending such meetings and argue that they get more information and benefit from a visit by a sales executive who can furnish them with information on the new items. The crowded schedules of meetings and conferences planned for them in the few days they are at the factory prove more confusing than instructive." *The New York Times*, February 9, 1930, p. 26N.

Advertising Waste Now More Likely

Present-day opportunities for waste in advertising are considerably greater in spite of improvement in copy preparation and merchandising methods, because competition has so generally stepped-up the advertising unit. The most important source of waste is quitting too soon. Another potent source is trying to cover territory too fast. The success of every advertising campaign in the long run depends upon intensified crowd consciousness and "cross-sampling." Other wastes result from lack of preparation before advertising is begun—failure to provide for proper market research regarding distribution, timeliness of the product, general

trends, etc. Probably 100,000 pages of advertising a year are a dead loss because they try to impress the reader rather than serve him. These and other comments were made by Kenneth M. Goode. *N. Y. Times*, March 9, 1930, p. 22N.

New Uses for Vending Devices in Apartment Houses Found

The use of the apartment house as a means of distributing food and drug staples through the medium of automatic venders is being recognized by coin-operated machine manufacturers as having extensive possibilities, according to J. A. G. Pennington of the Specialties Division of the Department of Commerce. This emergency shopping idea is looked upon as the most

promising development in machine merchandising. Manufacturers have revealed plans incorporating refrigerating units for vending machines to retail beverages, ice-cream and frozen confections. The general trend of the industry appears to be toward the high class merchandising and amusement machines, with quality rather than price the chief incentive to sales. Two major problems which are retarding the industry are the slug evil and the question of coin adjustment. The necessity of adjusting machines to the price of frequently changing commodities is another problem, but adjustable coin chutes now in process of development are believed practical for this purpose. *U. S. Daily*, March 12, 1930, pp. 1 and 10.

Salesmen: Selection, Training, Compensation

Practical Plans for Paying Specialty Salesmen

The first of a series of four articles giving the details of a large number of compensation plans and analyzing them for their strong and weak points. The pro and con of the straight commission payment plan is first considered. The age of the industry and the age of the particular business within that industry must be taken into consideration.

In the matter of the control of specialty salesmen, if they are properly educated and trained in analysis and self-supervision by their sales manager, they will be more susceptible to suggestions and aid than a man employed on salary or drawing account against commission. By Richard C. Hay. *Sales Management*, March 8, 1930, p. 434:3.

Salesmen in the Making

A few years ago, definite experimental work in the training of salesmen was undertaken by The Texas Company. The first class was so successful that it was followed by a series of courses. Today the Port Arthur School is designated as a

"Sales Executive Training Course" whose personnel is limited principally to sales representatives. Instruction is carried on by the conference method, so that individuality of personnel may be brought to the fore. In addition to class conferences dealing with sales and other marketing problems, the students are daily broken up into groups and taken through the various departments of Port Arthur Refinery where they are afforded a close-up of actual manufacture of merchandise with which they are concerned. The classes at the Port Arthur School are conducted over a thirty day period, and are held nine months of the year. The success of the work conducted at this school has been considered of sufficient value to warrant the establishment of additional regional schools, geographically situated with respect to sales districts. By A. A. Nicholson. *The Texaco Star*, March, 1930, p. 14:2.

Sell the Tourist

Tourists spend on an average \$6.00 a day. Figures given out recently from Salt Lake City, analyzing the tourist dollar, show that theatres and amusements get 5

per cent; miscellaneous, 8 per cent; street cars, taxi transportation, 10 per cent; restaurants, 11 per cent; auto service, garages, 14 per cent; hotels and camps, 15 per cent; and retail stores, 37 per cent.

Sales and service people should be trained to handle tourists in the right way. In one Colorado community the merchants put on a special spring evening school for the sales people, in order to train them to answer all the tourists' questions. As a high proportion of questions, of course, are concerned with directions, the sales people are especially trained to give concise, reliable information. The tourist trade should be intelligently studied, and this experience built on from year to year. The tourist has money, and wants to spend it. By H. R. Simpson. *The Manufacturing Jeweler*, March 13, 1930, p. 14:2.

Training by Individualized Treatment

The Home Life Insurance Company of New York trains all their men in the field. Every move that is made is for contacts or contracts. Neither the General Agent nor the supervisors do any personal business and no commissions are split with agents. The supervisors' duty is to build successful units of production. They are not allowed to sell on their own account and their salaries depend on their success in building their units. The company holds no weekly meetings. The steady producer

does not need a meeting and the non-producer can be best handled in a private meeting where he can get help fitted to his individual needs. By Harry Jacoby. *Manager's Magazine*, March-April, 1930, p. 13:2.

Salesmanship

Planning the Close

Some of the best planned life insurance sales interviews ever conceived have gone awry for the lack of proper closing arguments. It can be said that production in life underwriting is dependent upon successfully closed sales. We still find some bad examples among salesmen of a lack of definite knowledge as to the logical presentation of sales ideas. It is stated that 85 per cent of all life insurance is written by approximately 15 per cent of the men in the business and that 60,000 agents leave the business each year. The ideal sale consists of three interviews. The first is to get the prospect's point of view, to establish confidence and to obtain necessary data. The second is to present a plan that applies to his needs, to answer all questions regarding the plan and to bring him constructive ideas for his consideration. The third is generally only a discussion of all details necessary to the completion of the business. By R. S. Koehler. *The Pelican*, February, 1930, p. 38:2.

Retailing

Dressing Up the Sales Force

The W. I. Addis Company has found an effective way to keep its salespeople correctly attired for their work. The new employees are told that the store allows a 30 per cent discount to everyone still in its employ after three months. During the initial three months period, a 20 per cent discount is allowed. If the discount brings the article below cost, the cost price is charged. If the item is already reduced below cost, the retail price is charged. These discounts are allowed only to the

personnel of the store and not to any member of their families. A woman is expected to buy in the store every article of wearing apparel she needs, because if she cannot represent the merchandise sold in the store, she will not be able to sell it. *Store Service News*, March, 1930, p. 2:1.

Retail Clerks Need Lessons in Arithmetic

Sales instruction often fails because no educational executive can know everything about all merchandise. But if clerks must

be trained teach them arithmetic. Most of them do not know how to add and subtract, multiply and divide. Many of them can't do fourth-grade problems. Thousands of dollars are lost yearly by department stores because of clerks' inability to figure correctly, and the office force does not catch all arithmetic errors. By Elmer Brandell. *Printers' Ink*, March 13, 1930, p. 112:1.

L. Bamberger & Co. Continues Class Work

Rutgers University Extension Division has given a number of courses to the employees of Bamberger's, in Newark. During the fall term from an enrollment of 125 there were 115 who successfully completed their work. The various courses which are now under way are Business Economics, Conversational English, and Practical Psychology. They are conducted in the class rooms of Bamberger's new building immediately after working hours, the personnel of the classes being made up of co-workers from practically every department of the store. *University Extension Record*, February, 1930.

They Study Merchandising Behind the Counter

A cooperative plan in operation since 1921 in thirteen of the larger stores in Boston. Pupils of the salesmanship course of the High School of Practical Arts are in this way testing and applying theories taught in school. The pupils are engaged in pairs, and are employed in a wide range of jobs, for alternate weeks. By Edward J. Rowse. *Journal of Business Education*, March, 1930, p. 18:2.

Do Low Wages Mean Low Costs?

A survey made for the N. R. D. G. A. by the Industrial Research Department, Wharton School, shows that low wages do not ensure a low selling cost. It is apparent that setting quotas for employees must be supplemented by a more careful adjustment of the number of clerks to the number of customers. Attention to the number

of transactions will serve as a guide for more ready transfer of employees from overmanned departments. Attaining low costs also involves investigating the cause of low sales checks, selling incentives and the use of part-time employees. A firm should not only set standards for its own organization, but in doing so should be aware of what has been accomplished in other successful places. By Anne Bezanson. *Retail Ledger*, February, 1930, p. 4.

Personnel Study by Small Stores

Smaller stores are devoting increased attention to personnel selling problems. A store in Iowa, with a staff of 200 employees and doing a business of about \$2,000,000 annually, has tackled its personnel and style education problem jointly. It has engaged a training director, who will also serve as stylist. In this way the training work will be the means of bringing the latest style information direct to the salespeople. It is easy enough for a store to have a philosophy of style in sales promotion and in merchandising but this is useless unless the sales people use the information after they get it. Service shopping is one method which is being used to discover this. Use can also be made of reports from department executives, written examinations and discussions on various points by the salespeople themselves. By Mary C. Clendenin. *The New York Times*, March 2, 1930, p. N21.

Are We Using the Right Type of Delivery Men?

James A. Hearn & Son have been interested in the selection and training of drivers from a humanitarian standpoint (because of accidents) and for the financial losses that these accidents entail. This store gives a pigskin wallet with the driver's name in gold at the end of one year's driving without an accident. Each driver who earns a wallet gets in addition one day off with pay besides having received a \$5.00 bonus at the end of each 25 consecutive days for the entire year. A driver

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who goes two years without an accident gets a two year Honor Card and 3 days added to his regular vacation, as well as the \$5.00 bonus. A training class for those who have had accidents aims to eliminate them in future. A manager's success is

limited to the degree of interest the people under him have in the whole job. It is necessary to sell safety to drivers and make them really interested in it. By H. E. Baldwin. *Retail Ledger*, February, 1930, p. 5.

Survey of Books for Executives

British Industry Today. By Ben M. Selekmán and Sylvia Kopald Selekmán. Harper & Bros., New York, 1929. 290 pages. \$3.00.

In the book "British Industry Today," by Ben and Sylvia Selekmán, the authors have given a very fair and comprehensive study and presentation of industrial conditions as they exist in Great Britain.

Speaking as one identified with British Industry for more than twenty years, as an employer, I consider the review which the authors have given of the more progressive industries, and the advanced steps being taken by both labor and capital during the past decade, as being impartial and well worthy of study by all honest seekers for facts, whether he belong to the capitalistic, managerial or workers' group in industry.

The first chapter points out the change of front of both employer and union labor. Capital and labor are holding joint consultations for the purpose of finding out how far and upon what terms co-operation is possible and in a common endeavor to raise the workers' standard of life.

Under the heading, "Peace, Not Conflict, the Dominant Note" numerous activities on the part of both employers and workers, having for their object the betterment of conditions and peaceful methods of settling disputes, are discussed. It is pointed out that the upset from the world war has made radical readjustment necessary in British industry.

The book reviews impartially the part played by self government in industries, sketching the activities of the Whitley Council, introduced into British industry during the war, and their activities through works councils and joint councils of workers and management, the various methods which have been adopted in different industries for the stabilization of the wage. Two factors are pointed out which have contributed most to harmonious relations in the Iron and Steel industries:

1. Wages have been adjusted for more than half a century by one definite principle—variation in accordance with the selling price.
2. Organization and leadership have been efficient and forward looking.

For years in steel and iron industries wages have changed automatically following changes in selling price.

These factors have made for peace and mutual understanding in these great industries of the country.

The authors state "The American observer is almost immediately struck by the lack of a professional management group in Great Britain. Signs of it are slowly appearing; but management is still generally regarded as an attribute of the owner or employer rather than as a separate function."

The authors evidently made a very careful study of many of the outstanding and more progressive plants in Great Britain and collected statements from both employers and employees regarding the newer

methods which have been put into operation during the past ten or twelve years. They confine their studies, as is profitable, in all works of this character, to the newer and more progressive methods and experiments being carried on. Practically no consideration is given to the older methods. In these management prefers to grope along employing the older methods, of which the coal industry is an outstanding example, having failed to grasp and adopt the more progressive methods of the new, they are held back by tradition.

The authors happily center our attention upon the new and progressive and how it is working out. The tendency of the book throughout is to give one a hopeful and optimistic view of the future and to point to modern and scientific methods already operating with a considerable degree of success in specific industries and trades cited.

In passing I wish to mention the excellent plan of co-operation which has been so successfully organized during the past eight or ten years by the Rowntree plant at York. The experiments of this company are well worth careful study. They have met many difficult problems of organization conducted in full co-operation with the trade unions, resulting so far in definite satisfaction to all parties interested.

W. W. KINCAID, *President,*
The Spirella Company, Incorporated

Trust and Corporation Problems. By Henry R. Seager and Charles A. Gulick, Jr. Harper & Bros., New York, 1929. 719 pages. \$3.50.

Here is a book timely in subject, with the material well organized, in which the authors have achieved the more or less difficult feat of combining the problem and the text book method. As its title suggests, the purpose of this volume is to discuss the problem of industrial consolidations and combinations as it has developed in United States and certain foreign nations.

During the past year the business man in United States has been shaken loose from

some of the complacency with which he viewed the attitude of the Federal Government toward consolidations, mergers and combinations. Rather definite pronouncements from the Attorney General's office at Washington concerning its attitude toward changes in our business organizations, whether such changes are attempted directly by business enterprises within an industry or whether they are sought to be executed by trade associations, have brought administrators of business enterprises in United States to a realization of the need of prescient planning of their future structure. This book furnishes an adequate background of the fundamental details which the foregoing problem in business organization entails.

The first section of the volume is devoted to a brief but comprehensive survey of the development of American corporations and trusts. By way of exemplifying this historical treatment, there follow nine chapters dealing with specific combinations or trusts whose problems have been aired in the public prints and have been the subject of prolonged litigation in the courts. One chapter is accorded to various phases of the development of trade associations in United States. The last half of the volume contains an extended discussion of the legal implications of State and Federal anti-trust legislation and the administrative bodies that have been charged with the enforcement thereof. There are also included several chapters dealing with the attitude of the nations of Continental Europe toward corporation and trust problems, including the Cartel.

The book is garnished at the end with a comprehensive table of cases with legal citations, twelve pages in length; an exhaustive bibliography of sixteen and one-half pages, topically subdivided and including all pertinent publications in English and German, as well as with an elaborate index of sixteen and one-half pages.

The authors have endeavored to interpret the legal and the economic implications of the trend toward industrial con-

solidations and mergers. This interpretation is tinged with the motif phrased by the authors as follows: "the most valuable use to which we can put the record we have built is to base upon it additional outposts in the campaign to secure adequate 'social' control of business". While the volume contains some opinions and judgments with which our larger business men may not agree, the general attitude of the authors is characterized by a manifest desire to be fair.

FRANK PARKER, *Professor of Finance, Wharton School of Finance and Commerce, University of Pennsylvania.*

A Subject-Index to Market Research Information on Chicago and Cook County, Illinois. Prepared by the Bureau of Research and Education of the Advertising Federation of America in Cooperation with the Local Community Research Committee of the University of Chicago. Advertising Federation of America, 1929. 66 pages. \$1.00.

Through reference to key numbers in the "Finding List" in Chapter Seven, the reader is directed to available publications from which may be secured statistics and a wealth of other information relative to Population, Living Conditions, Commerce, Agriculture, and Finance and Taxation in Chicago and Cook County.

Industrial Organization and Management. By William B. Cornell. Ronald Press, New York, 1928. 653 pages. \$5.00.

As the author states in his preface, this book will find its field of greatest application as a text in schools of commerce and administration. The limitations of time frequently force such institutions to cover the entire realm of industrial organization and management in the space of a relatively few weeks, and it would be unfair to expect a text based upon such courses to do more than present a general review of so broad a field.

In reading Professor Cornell's book I was strongly under the impression that his

ideas and concepts have been very largely molded by a contact with the heavy mechanical industries of this country, and that he has therefore tended to overlook the conditions which influence operations in many other fields of manufacturing, such as the chemical, textile, and food products industries. It is true that fundamental principles of management are applicable to all industries, but Professor Cornell, in developing his treatise on the basis of a limited phase of our industrial activity, has laid himself open to attack in many sections of the book. The development of extensive international trade on the part of American business organizations has brought to the foreground many new and complex problems which have been left practically untouched by the author. This is unfortunate, as the tendency today in many fields is toward larger units, with international markets.

"Industrial Organization and Management" may be roughly divided into three parts: First, a discussion of the general trends and principles relating to organization and management; second, an analysis of those factors which should be considered in the establishment of an industrial enterprise; and third, a discussion of the functions and technique of the various departments within a going business organization. Professor Cornell approaches his subject by briefly sketching the recent trends in management and introducing that newly appreciated factor in our economic destiny—the modern business executive. His treatment of the latter should stimulate sympathetic murmurs from all those who have struggled with the problem of bringing up a well-mannered and efficient executive family. It is perhaps unfortunate that more attention is not given to this phase of his subject, because it deals with the bedrock upon which the entire structure of good management must rest.

In discussing the basic considerations of organization the author states that:

"to insure such results a concern must be properly organized, so as to permit of co-ordination of those dis-

tinct and totally unlike functions—financing, engineering, purchasing, production, and selling, and to foster co-operation between all factions.”

This conception of the business functions as being “distinct and totally unlike” should most certainly be challenged as being fundamentally unsound. The efficient modern business organization is a closely integrated whole, every part of which is closely interwoven with every other part. Failure to recognize this inherent kinship with the other departments has been, and still is, largely responsible for much waste and inefficiency.

In the chapters devoted to an analysis of the industrial problem Professor Cornell has presented in an interesting manner factors which should be considered when establishing an industrial enterprise. Although the author discusses an extensive list of considerations, he gives scant if any attention to a number of points which would vitally affect the success of an enterprise.

For example, how should the question of purchasing versus manufacturing be solved? The financial state of the company, the stability of its markets, as well as the actual unit costs will all exert a varying influence in determining the amount of fixed investment which should be risked at any given stage in the development. The record of business failures is checkered with concerns which failed to regard this point wisely.

Again, under the section devoted to a discussion of plant location, the problems confronted by the international manufacturer were scarcely touched upon. A large amount of American capital is invested annually in foreign productive enterprises in preference to the policy of local manufacture for export. The political and economic forces back of such decisions are of great significance today, and an increasing number of executives are giving them serious attention. Furthermore, the problem of plant location is intimately associated with the question of the large versus the small manufacturing

unit. Some industries have entered upon a program of consolidation, while others have found it more advantageous to split their requirements between several smaller units.

In the last and major portion of the book, which is devoted to a detailed discussion of the departments of the business enterprise and the technique involved, the author has assembled much interesting material—but here again the text is subject to question by those actively engaged in the field because of the things both said and unsaid. For example, Professor Cornell states that:

“the main function of the director of sales is so to conduct the affairs of his department that sales effort is co-ordinated with the effort of the manufacturing and engineering departments, due consideration being given to the financial condition of the company.”

I believe the manufacturer who is experiencing keen competition would go to the mat with the author on this interpretation of the main duty of the director of sales. The crying need of most sales departments is for a man of large calibre who can plan effective distribution campaigns. The co-ordination of the sales department with the other departments is essential, but it most certainly should not be considered the major function of the director of sales.

In discussing the function of the purchasing department the text places considerable emphasis upon the advantages of hand to mouth buying, and expresses strong disapproval of speculative purchasing. It should be remembered, however, that in certain commodity markets, particularly those of a basic nature, it might be necessary to depart from the hand to mouth policy if large losses are not to be incurred. The seasonal nature of certain products, for example, make it absolutely imperative to estimate the future well in advance and purchase accordingly.

In “Industrial Organization and Management” Professor Cornell has brought

together an immense amount of material, much of which is entirely orthodox from the point of view of modern management methods. The points noted in the preceding paragraphs, however, are typical of the factors with which the reader might find himself taking issue. Perhaps the book's principal weakness is a tendency to reflect the problems of a limited section of industrial activity and to neglect many of the factors which must be considered in these days of large business enterprise.

HOWARD M. HUBBARD,
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and General Production Manager,
Royal Baking Powder Company.*

Introduction to Business Management.

By Herbert G. Stockwell. Harper & Bros., New York, 1929. 276 pages. \$4.00.

The most serious limitation to the safe, wholesome growth of American business to-day is the limitation of ability at the top. Our vast bank mergers; our efforts at utility consolidation; our recent investment trust expansion; our rapid chain store developments—in every significant expansion of our business life, it is managerial ability that is gravely lacking. The crux of safe business expansion today is the man-power problem. And in our present day economic conditions this is in many important aspects of a new problem. It is the application of science to the problems of business organization and management. This is a quite distinct problem from that of applying science to our industrial system. The latter simply means the understanding and application of the laws of physics, mathematics, chemistry and engineering to the exploitation of natural resources, to transportation, to bridge and building construction, to machinery, etc. This scientific victory man long since mastered with marvelous results and we are all familiar with the Industrial Evolution and its revolutionary results.

But the application of science to the present complex, far-flung problems of business organization and management is quite an-

other problem. Industrial management, and business management demand clear-cut distinctions. The former is a study and understanding of the relations of man with nature; the latter is the complex problem of understanding the relations of man with man. Business is buying and selling. It means influencing human conduct. Its motive is profit. It demands a knowledge, if trouble is not to ensue, of biology, of psychology, economics, sociology, statistics, ethics, philosophy. The business manager today, if he knows his job, must be a business philosopher. He must realize that the greatest job in life is life-management. And he must realize that the greatest opportunity to manage men is in the work relations. Nothing influences us so much as our day by day work conduct.

The universal fact that the daily business relations of life are taking on the characteristics of the old time professions is perhaps the most significant fact in our business life. President Hoover's recent country wide plans of organization and management are a dramatic illustration of the growing significance of a scientific understanding of the human relations in business.

If what I have just stated is true, then any serious attempt to write a book on "Business Management" becomes an event of human, business and social significance. Many grave questions confront the author of such an undertaking. His answers to these questions are of deep interest to all scientifically minded business executives and to all students of business management. Does he understand the basic desires and needs of normal human beings? Does he see the backbone of business as the most real thing in life and at the same time as something "invisible"? Does he understand the "motives" of business? Does he know how to make a genuine job analysis of a manager's job and does he possess a clear knowledge of the traits essential to the successful management of present day business? Does he know what the formulation, transmission and execution of a sound administrative business policy mean?

Does he see as an organically interrelated unit the problems relating to policies and practices; the functions which precede and are preparatory to actual manipulation; the human problems involved in the conduct of productive operations so as successfully to sell in a world wide market at a profit? Does he sense the delicate balancing of machines, mechanisms, methods and men? Can he make a careful resumé of the past six months' performance and fashion a reasonably accurate forecast of the following six months? Can he compile and operate a manual of plant organization, covering all phases of operation? Does he know how to utilize to the fullest the individual capacities and experiences of all of the workers under his control? Can he outline and create plans for the education and training of his entire personnel? Above all, does he sense the quality of his personnel as his best business asset and does he know that the work tie is but one of the many ties influencing the worker's total life; that home ties, social ties, political ties, religious ties must all be interwoven with the work ties if he is to succeed? It is such questions as these that give significance to H. G. Stockwell's "Introduction to Business Management." Evaluated in the light of the above questions, the book merits the careful reading of all seriously minded students.

The book is frankly intended as an "introduction to business management." The author is conscious of the small number of the army of workers who get to the top. He is interested to know why so many "stay put"—why so few move up. His answer is because so few have "the ability to manage men." He is right. In his introduction he tells us that "in commercial organizations business ability includes not only the actual knowledge required in a position but also the capacity to manage other men; and those who possess that knowledge and that capacity are the men who take the lead as managers". In brief outline, the book gives a good resumé of the importance of scientific thinking in busi-

ness; points out how and where scientific thinking promises results. This is followed by chapters in forms of ownership and a very helpful chapter on "management activities" in which the author shows his grip on industrial psychology. This chapter helpfully stresses the fact that no business can be successful today that does not understand the management of man power and know the difference between "leader and driver management."

Chapters V-XIV are devoted to a somewhat detailed analysis of the functions and problems confronting the president, manager, sales manager, factory manager, treasurer, personnel officer, advertising manager, cost accountant, etc. These chapters are a discussion of a series of problems confronting these functionaries. The problems of these normal activities are in the main well treated. There are indeed places where readers will wish for a somewhat sharper and more thorough treatment of the human phases of management. The reviewer, for example, wishes, since the author has seen fit to give the personnel function such prominence, that he had indicated this importance more clearly on his chart, page 43. The time has come, if we are to secure a scientifically organized and humanely operated business system, when we must not hesitate to place personnel in charge of a well qualified vice-president who shall function on a par with all other major departments—finance, manufacturing, selling, etc. Vice-President Rorty of the International Telephone and Telegraph Company stated before the recent annual meeting of the Taylor Society that the time was at hand when he believed it would be good business for our large-scale corporations to demand a disinterested personnel audit of their human problems as they now must satisfy stockholders and financial houses with the C. P. A. audit. This judgment honestly put into practice by well qualified Personnel Auditors would go a long way in helping put business management on a scientific and a sound human basis.

I cannot concur in the author's statement

(pp. 125-126) as to where personnel responsibility should be placed. In all companies with a thousand or more employees it should, in my judgment, be squarely placed in the hands of a well qualified vice-president who by native equipment, training and experience, is well qualified to perform the delicate and highly specialized problems of research, council, advice and wise direction involved in employment, health and safety, education and training, research in the human problems, employees service features and joint relations. Not one President in a thousand is qualified or will become qualified to do this. The personnel officer is par excellence—if he knows his job—the company integrating officer. He cannot integrate unless he can contact, confer, build confidence and cooperate on a par with all the major officers. This he many times cannot do if he is merely the president's "executive assistant" (p. 126).

Chapter XV (Business Ethics) treats in cursory manner one of the most vital problems confronting business today. Many grave ethical business problems are not touched in this chapter. The ethical challenge of the machine age and the ethical problems large-scale management has brought upon us; the obligations of directors and managers; the problems arising between personnel managers in relation to general managers; the deep ethical problem arising from the recognition of industrial differences; the ethical obligations of the seventy percent of our engineer graduates who go into management; the real ethical value of trade association ethical standards; the ethics of managements' stock manipulation; the problem of integrating labor ethics and business ethics; the ethical standards of the legal profession; managements' ethical obligations for the harmonious adjustment of industrial disputes—these and many other ethical problems Chapter XV does not refer to—and perhaps should not in an introductory text on management. These however are ethical problems all managers are increasingly forced to face.

The volume closes with a very helpful

chapter on "Accumulating Management Information"; pointing out through a detailed series of questions how to gather the essential facts on organization and administration, factory or mill plant, product, purchasing materials, manufacturing, selling, advertising, financing, office and bookkeeping. The reviewer is puzzled to know why this chapter omits entirely what the author in his treatment throughout has stressed as fundamental, namely, personnel. This caption should receive at least fifty good questions. The volume on the whole is clear and the contents presented in straightforward manner. It is clearly worth the careful study of students who wish a well rounded presentation of the problem of business organization and management.

H. C. METCALF, *Director,*
Bureau of Personnel Administration.

Wage-Payment Plans That Reduced Production Costs. By Hugo Diemer. McGraw-Hill Publishing Company, New York, 1929. 272 pages.

Prefaced by a simple and concise analysis of the fundamentals of incentive wage plans, Colonel Diemer's new book gathers together the previously presented papers of a number of other authors. The material is modern, all of these papers having been written comparatively recently, and the result attained is the presentation of a cross-section of current thought and experience.

Part one, which outlines a general procedure for the application of wage incentives, is commended as a sound plan which has been generally accepted by the larger industrial institutions. Likewise, part three, giving, as it does, an inside view of incentive wage administration in a wide variety of businesses, is well worth a reading. In part two, however, which describes all of the better-known systems and their advantages and disadvantages, the author has dealt rather leniently with some of the plans which decrease the reward as the efficiency of the workman is increased. In the early days of incentives, these "diminishing" incentives were presumably success-

ful from the manufacturer's viewpoint; but in this age of open and fair dealing between employer and employee, they are to be regarded as potential sources of dissatisfaction and distrust.

This is not a text-book which gives explicit instructions for the installation of wage incentives; rather is it a reference manual against which the industrial executive may check his experiences and methods with those of others, and from which the student may gain an insight into the many divergent views held by successful executives as to "the one best way."

The book is written in the spirit of the engineer with "nothing to sell," but concerned solely with the presentation of facts, and the ideas and first-hand experiences of a representative group of executives, engineers, and educators. It is truly a hand-book of experience for the industrial engineer or the executive who now offers wage incentives to his employees, or who sees the need for their application in his business.

G. M. FULLARTON,
*Assistant Superintendent of
Manufacturing Planning,
Hawthorne Works,
Western Electric Company, Inc.*

Cost Accounting and Office Equipment.

By Willard J. Graham. American Technical Society, Chicago, 1929. 120 pages.

Considerable discussion has permeated throughout the accounting profession within the last year or two on technique in practice of Cost Accounting. Very little to this date has been written on the subject. Office Equipment—probably equal in importance to any problem in Office Administration—has been similarly neglected by those ordinarily inclined to put their experience in print.

The author has introduced in this volume a wealth of material that should assist any person either student or businessman having an elementary knowledge of general accounting principles, to become familiar with good, sound, practical meth-

ods of cost accounting in various types of industry and with the mechanical equipment that is available for all types of office work and what can be accomplished by the various types of devices.

The illustrations are profuse and while not always applicable to all types of business, are sufficient to give a general working knowledge to those interested in both subjects.

The volume is divided in two parts. Part one dealing with Cost Accounting consists of 137 pages and Part two on the subject of Office Equipment consisting of 120 pages.

The first chapter on Cost Accounting explains the field in general. The advantages and underlying principles are stressed with their general importance in the field of management.

Chapters two and three deal with two classes of cost accounting systems. One called process cost systems and the other specific order or job, cost systems. The former is less complex and less expensive to operate than the latter but, as stated, the results may be correspondingly less accurate. However, where a plant manufactures a single product or very few products by a continual process method, such as flour, pig iron, etc., process costing is the only system that would be practical. Specific order or job costing applies to those concerns that produce a variety of operations on different orders, for products that are not under continuous flow. An attempt to average cost over various orders would produce very inaccurate results. These chapters explain quite fully the significance between the two systems and the methods involved in each.

Chapter four covers special problems involved in all costing systems and particularly with regard to method of computation for depreciation, by-products and joint products. Chapter five deals with the method of collecting and allocating costs and the organization of the Cost Department.

Part two on the subject of Office Equipment explains in more or less complete detail with illustrations of many types of

mechanical devices and other office equipment on the market today.

The type of work to be performed, the advantages, uses and methods covering a variety of operations in all classes of mechanical equipment are given thorough attention.

The last chapter covers such equipment as is in general use in correspondence, filing, mailing and duplicating operations and should provide a wealth of material to those interested in the subject.

On the whole the volume is well worth perusal and serves as an additional contribution to two important subjects that have not received the attention by authors that they deserve.

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Hand-to-Mouth Buying. By Leverett S. Lyon. Brookings Institution, Washington, D. C., 1929. 487 pages. \$4.00.

The Brookings Institute of Washington, an endowed research organization, here offers a masterful analysis of the practice commonly called "Hand-to-Mouth Buying," that of placing small orders on frequent occasions. A survey of 115 manufacturers and mercantile establishments was undertaken to determine the proportion of business done by advance ordering, and the relative amount of stocks and inventories carried over the period of a decade. The volume is illustrated by a large number of graphs.

After discussing the post war-baby origin of hand-to-mouth buying, Mr. Lyon delves into the present day economic setting of purchasing habits. He then develops a most comprehensive statistical analysis of the current feeling that the practices of giving and receiving orders are being curiously modified. Using the unfilled orders at the end of the month as the percentage of shipments for the ensuing year, he shows that although the order basis from industry to industry has varied, the evidence is clear that a downward trend has been common since 1920. As to the comparative size of orders during the past decade,

it is found that an increase in the relative frequency of small orders and a decrease in the average size of the order has occurred in many lines. On the other hand, small orders have not become a larger proportion of the total volume in many lines of business. This is particularly true in the food and canning industry. In analyzing what changes have taken place in shipping practices, it is found that shipments per order have increased but that the size of the shipments is not necessarily growing smaller.

Important extracts in that part of the book entitled "Effects and Concomitants" are these: "The effort to keep down inventories is in the center of any picture of hand-to-mouth buying. . . . Thus every type of food canning industry shows that canners are carrying an increased percentage of the load. . . . The stock burden of raw materials (in various lines) shows a marked decline. . . . The evidence shows only a slight lessening of the stock burden of retailers and somewhat more of wholesalers and, omitting the building trades, more cases of increased, rather than decreased, burden among manufacturers. . . . It seems a reasonably safe conclusion that where the conditions of production make it possible to control stocks, current buying methods have shifted no new load to manufacturers or wholesalers. . . . Business as represented by the uniformity of the flow of orders through the year has tended toward a greater degree of stability since 1919. . . . The experience of retail outlets makes it clear that although the time distribution of consumers' purchases may be modified, such modification is not easy. The habit pattern is strong. In other words, consumer buying has retained much the same degree of stability. . . . The trend toward small orders and small shipments has brought added strength for the chain store and probably an added weakness for the small dealers. . . . The degree of hand-to-mouth buying . . . depends finally more upon advance in production methods and communication and transportation than on any other factors."

Although it is shown that buying practices vary very widely and that generalizations are unsafe, the conclusion is unmistakable that in most lines, hand-to-mouth buying has increased very greatly and that it has come to stay. Extensive changes in business organization are developing in consequence. This is a book which should be read with profit by every progressive purchasing agent with the vision to be interested in the basic economics underlying his vocation. It will be of interest specifically to merchandisers concerned with the following lines: meats, dry goods, enameled ware, canned fruits, vegetables and fish, knit wear, hides, furniture, gasoline, pig iron, shoes, tires, and grain. Several references are made to department stores and chain stores. There is a good index.

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Industrial Balance Sheets. By Myron M. Strain. Harper & Bros., New York, 1929. 182 pages. \$3.50.

When a book promises to be as dry as dust, what could be more unexpected than to find it really diverting, interesting and informative? When, as, and if C. P. A.'s have a reputation of displaying little literary ability what could be more unusual than to find one who commands the King's English splendidly, possesses a keen sense of humor, and explains his subject "..... in a jaunty and cavalier fashion, gracefully, with gusto, charm, and even gayety." These things are found in Myron M. Strain's, "Industrial Balance Sheets," a book of only one hundred eighty-two pages including ten chapters each followed by an interesting set of test questions, a good index, an appendix of balance sheets for analysis, and a bibliography.

The author has concerned himself with procedure in statement analysis as distinguished from theoretical principles. He restates those principles which seem to have a proved usefulness, however, and issues warnings, many of them most interestingly phrased, against those which seem ill-advised and confusing.

The value of a balance sheet to the analyst depends, as a preliminary requirement, on the correctness of the figures supplied, on the propriety of their description and on the appropriateness of their classification. Mr. Strain has devoted the first three chapters of his book to these matters. In them he stresses the value of uniformity in balance sheet terminology, of certified audits, and of proper procedure in preparing the content of a group of assets or liabilities for comparison with some other group.

Brief, but adequate and always interesting, treatment is accorded the attitude with which the credit analyst should approach his examination of any given statement; the necessity for relevance between the conditions which the ratios are designed to indicate and the information expected to be derived from the ratios; on the desirability of recognition of the limitations of ratio analysis beyond the point of indicating probabilities and suggesting weaknesses; on the advisability of conducting the analysis to determine what financial condition is adequate for a particular organization in a particular industry, conducted in a particular manner under particular conditions; on the causes of ratio variations in practice; on the usefulness of trend analysis; on the futility of placing blind faith in formulæ unmixt with common sense.

Mr. Strain has presented new material in his, "Eleven Informal Balance Sheet Indicators," and he discusses their use and usefulness convincingly. He has likewise commented briefly and much to the point upon the subject of analysis files and the information they should contain.

All together it must be said that this is a fine book. It is easy to read, typographically speaking, and otherwise. Those who analyze financial statements, those who prepare them, students, tired business men, others, may read, analyze, digest, criticize, refer to it with pleasure and profit.

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